

Finance Lecture 3 Notes

Introduction

For all **incorporated businesses** an **Annual Report** must be produced for the shareholders of the company. Although the Annual reports are prepared for the owners (shareholders) of the company, they are publicly available and can be used by any stakeholders in the company to make economic decisions.

Incorporated business - a company can be registered as:

- ❖ A private limited company (Ltd) 私人有限公司
- ❖ A public limited company (plc) 公共有限公司

A plc can offer its shares for sale to the public, but a Ltd company cannot.

plc 可以向公众出售其股票，但 Ltd 公司不能。

A plc may issue shares for sale on the Stock Exchange. These shares can then be re-traded on the stock exchange so the ownership of a plc may be constantly changing. Individuals may hold shares, but it is pension funds, insurance companies and other financial institutions which hold **large blocks** of shares.

有限责任公司可于联交所发行股份出售。然后，这些股票可以在证券交易所重新交易，因此 plc 的所有权可能会不断变化。个人可以持有股票，但持有大量股票的是养老基金、保险公司和其他金融机构。

Annual Report = Accounts = Financial statements

This refers to the annual financial information that is published by a company under regulations and which is subject to an audit. The annual report contains four main financial statements together with notes explaining those statements:

- ❖ The income statement.
- ❖ The statement of financial position.
- ❖ The statement of changes in equity.
- ❖ The statement of cash flow.

The Annual Reports of major companies now also contain a lot of narrative information only some of which is regulated.

The information in the annual reports can be used as a marketing tool by the company to attract customers, suppliers of finance, good press as well as investors. They will highlight a company's objectives which may be profit focused, but as the importance of corporate social responsibility has become more widely recognised there will be other objectives.

大公司的年报现在也包含很多叙述性信息，只有部分信息受到监管。年报中的信息可以作为公司的营销工具，以吸引客户、融资供应商、媒体和投资者。它们将突出公司的目标，这些目标可能以利润为中心，但随着企业社会责任的重要性得到更广泛的认可，也会有其他目标。

Regulation

1. Statutory regulation - Companies Acts and European Union Directives

The 2006 Companies Act contains detailed regulation to protect shareholders and creditors.

- ❖ Requirement to prepare annual accounts that must give a true and fair view and be prepared in accordance with either international accounting standards or national accounting standards.
- ❖ Details when an audit is required and
- ❖ Outlines the company's duty to file and circulate the annual report

2. Accounting standards

UK Accounting Standards Board and the International Accounting Standards Board.

3. Stock exchange regulation

More frequent and more detailed reporting.

关于公司财务报告和审计的主要法规和标准：

1. 法定规定 - 公司法和欧盟指令

- 2006年的公司法包含了详细的规定，旨在保护股东和债权人。
 - 要求准备年度账目，这些账目必须真实、公正，并且符合国际会计准则或国家会计准则。
 - 规定何时需要进行审计。
 - 概述公司提交和传播年度报告的义务。

2. 会计准则

- 英国会计准则委员会和国际会计准则委员会制定标准，以确保会计实践的一致性和透明度，提高财务报告的质量。

3. 股票交易所规定

- 要求更频繁和更详细的报告。这些规定通常比法定要求更为严格，旨在为投资者提供及时、准确的公司财务信息。

Audit 审计

An audit is an independent examination of the financial statements to establish that they show a true and fair view of the financial performance (profit) and position (value/worth) of the company.

An audit will not guarantee that the financial statements are correct, but just true and fair. It was also noted earlier that the audit does not cover all the information in the annual report.

There have been many accounting scandals most recently Tesco's.

审计是对财务报表的独立检查，以确定它们对公司的财务业绩（利润）和状况（价值/价值）的真实和公允的看法。审计不能保证财务报表是正确的，而只是真实和公允。前面还指出，审计工作并未涵盖年度报告中的所有信息。有许多会计丑闻，最近的是乐购。

Concepts that Underlie the Preparation of Financial Statements

Separate Entity

In company law, the company is a person. It has a separate legal identity from its owners, the shareholders and the management and directors of the company.

It is the company that will sue and can be sued.

在公司法中，公司是一个人。它具有独立于其所有者、股东以及公司管理层和董事的法律身份。是公司会起诉，也可以被起诉。

Double Entry 双入口

Every transaction that a company enters affects two accounts.

公司输入的每笔交易都会影响两个帐户。

Accruals/matching 应计项目/匹配

Expenses are matched to the revenues that they help generate.

Expenses, costs, income, and revenue are accounted for when they are earned or incurred, not when cash flows in or out of the company.

费用与它们帮助产生的收入相匹配。费用、成本、收入和收入在赚取或发生时入账，而不是在现金流入或流出公司时入账。

Importance of regulation and concepts

Stakeholders (shareholders, employees, providers of goods and finance) can understand a set of annual reports, compare with other companies anywhere in the world and establish how a company is performing over time.

This will allow investors to make rational decisions ensure the capital markets operate efficiently and increase the wealth and hopefully well-being of a nation.

利益相关者（股东、员工、商品和融资提供者）可以了解一套年度报告，与世界上任何地方的其他公司进行比较，并确定公司随时间推移的表现。这将使投资者能够做出理性的决策，确保资本市场有效运作，并增加一个国家的财富和福祉。

Profit Vs Cash

Cash position of Daley

	Month 1		Month 2		Month 3	
	£		£		£	
Cash inflow	(1@8,000)	8,000	(8@8,000)	64,000	(9@8,000)	72,000
Cash outflow	(6@5,000)	<u>(30,000)</u>	(12@5,000)	<u>(60,000)</u>	(0@5,000)	<u>(0)</u>
Cash position		<u>(22,000)</u>		<u>4,000</u>		<u>72,000</u>

The cash position is much more volatile than profits. If you just looked at the cash position of Daley in the first two months, you would not invest in the business, but if you looked at the cash position for only the third month you may invest too heavily.

Look at total cash $(22,000) + 4,000 + 72,000 = 54,000$ 查看现金总额 $(22,000) + 4,000 + 72,000 = 54,000$

Look at total profits $3,000 + 24,000 + 27,000 = 54,000$ 看利润总额 $3,000 + 24,000 + 27,000 = 54,000$

The total cash generated equals the total profits generated. The accruals concept helps to show a true and fair view of how well the company is performing over a period.

But a lack of cash or an understanding of inflows and outflows of cash may mean a business cannot meet debts as they fall due and ultimately go bankrupt.

A statement of cash flow is included within the financial statements.

现金状况比利润更不稳定。 如果你只看戴利前两个月的现金状况，你就不会投资该业务，但如果你只看第三个月的现金状况，你可能会投资过多。

产生的现金总额等于产生的利润总额。应计利润概念有助于真实、公平地反映公司在一段时间内的业绩表现。

但缺乏现金或对现金流入和流出的了解可能意味着企业无法偿还到期债务并最终破产。

现金流量表包含在财务报表中。

Sealion plc Statement of cash flows for the year ended 31 December 2015

	£'000	£'000
Cash flows from operating activities		
Profit before taxation (after interest)		X

Adjustments for:		
Depreciation	X	
Loss/(profit) on sale of assets	X/(X)	
Interest payable	X	
Interest receivable	(X)	
Decrease/(increase) in inventories	X/(X)	
Decrease/(increase) in trade receivables	X/(X)	
Increase/(decrease) in trade payables	<u>X/(X)</u>	<u>X</u>
Cash generated from operations		X
Interest paid	(X)	
Taxation paid	<u>(X)</u>	
Net cash from operating activities		X
Cash flows from investing activities		
Payments to acquire non-current assets	(X)	
Receipts from the sale of non-current assets	X	
Dividends received	X	
Interest received	<u>X</u>	
Net cash used in investing activities		(X)
Cash flows from financing activities		
Proceeds from the issue of shares	X	
Proceeds from the issue of loans	X	
Repayment of non-current loans	(X)	
Dividends paid	<u>(X)</u>	
Net cash used in financing activities		<u>X</u>
Net increase (decrease) in cash		X/(X)
Cash at 1 June 2014		<u>X</u>
Cash at 31 May 2015		<u>X</u>

Proforma Financial Statements based on International Accounting Standard 1 and International Accounting Standard 7

Financial Accounting

The field of accounting deals with the preparation of financial statements that are to be used by users external to an organisation.

The objective of financial statements is *“to provide information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users in making economic decision”* (International Accounting Standard Board - IASB Framework).

Financial position – wealth/worth (assets/liabilities/equity) 财务状况 – 财富/价值（资产/负债/股权）

Performance – profit/loss 业绩 – 利润/亏损

(e.g., for a bank account the financial position would be the funds held in the account at a point in time; the financial performance of the bank account is the interest/profit that it has earned).

Economic decisions – to invest in the company, to work for the company, to supply the company with goods, to loan funds to the company.

As the financial statements are prepared by an organisation for use by external decision makers the information must be regulated.

会计领域涉及编制供组织外部用户使用的财务报表。

财务报表的目标是“提供有关实体的财务状况、业绩和财务状况变化的信息，对广大用户做出经济决策有用”（国际会计准则理事会 - IASB 框架）。

（例如，对于银行账户，财务状况是账户在某个时间点持有的资金；银行账户的财务绩效是其赚取的利息/利润）。

经济决策——投资公司、为公司工作、向公司供应货物、向公司贷款。

由于财务报表是由组织编制供外部决策者使用的，因此必须对信息进行监管。

Management Accounting

Management accounting encompasses *“techniques and processes that are intended to provide financial and non-financial information to people within an organisation to make better decisions and thereby achieve organisational control and enhance organisational effectiveness.”* Wilson and Chua (1993, p.16).

管理会计涵盖“旨在向组织内的人员提供财务和非财务信息以做出更好的决策，从而实现组织控制和提高组织效率的技术和流程。”威尔逊和蔡（1993年，第16页）。

Planning

Management accountants help to formulate plans for different activities and co-ordinate these plans into budgets for the business.

管理会计师帮助制定不同活动的计划，并将这些计划协调到企业预算中。

Controlling

Management accountants produce performance reports that compare actual outcomes with planned outcomes.

管理会计师制作绩效报告，将实际结果与计划结果进行比较。

Organising

Management accountants develop accounting reporting systems that are closely related to organisational structure to ensure organisational goals are followed by departments.

管理会计师开发与组织结构密切相关的会计报告系统，以确保各部门遵循组织目标。

Communicating

Management accounting can aid the communication function by installing and maintaining an effective communication and reporting system (e.g., the budget and performance reporting process).

管理会计可以通过安装和维护有效的沟通和报告系统（例如预算和绩效报告流程）来帮助沟通功能。

Motivating

The budgets and performance reports produced by accountants have an important influence on the motivation of managers and employees.

会计师出具的预算和绩效报告对管理者和员工的积极性具有重要影响。

Decision-making

Providing guidance for decision making and problem-solving. 为决策和解决问题提供指导。

A comparison between Financial Accounting and Management Accounting

	MANAGEMENT ACCOUNTING	FINANCIAL ACCOUNTING
Primary users	Organizations managers at various levels (internal users)	Outside parties such as investors and government agencies but also organization managers (external users)
Freedom of choice	No constraints other than costs in relation to benefits of improved management decisions	Constrained by generally accepted accounting principles (GAAP)
Behavioral implications	Concern about how measurements and reports will influence managers' daily behavior	Concern about how to measure and communicate economic phenomena. Behavioral considerations are secondary, although executive compensation based on reported results may have behavioral impacts
Time focus	Future orientation: formal use of budgets as well as historical records, Example: 20X3 budget versus 20X3 actual performance	Past orientation: historical evaluation. Example: 20X3 actual performance versus 20X2 actual performance
Time span	Flexible, varying from hourly to 10 to 15 years.	Less flexible; usually 1 year or 1 quarter
Reports	Detailed reports: concern about details of parts of entity, products, departments, territories, etc. (focus on parts as well as on the whole of a business)	Summary reports: concern primarily with entity as a whole (look at the business as a whole)
Delineation of activities	Field is less sharp defined. Heavier use of economics, decision sciences, and behavioral sciences.	Field is more sharply defined. Lighter use of related disciplines.
	<i>Is a means to an end</i>	<i>Is an end in itself</i>

管理会计 (Management Accounting) :

- **主要用户:** 组织内的各级管理者。
- **选择自由度:** 在成本与管理改进益处的关系中没有限制。
- **行为影响:** 关注测量和报告如何影响管理者的日常行为。
- **时间焦点:** 未来导向, 使用预算和历史记录, 例如比较2023年预算与2023年实际表现。
- **时间跨度:** 灵活, 从小时到10至15年都有可能。
- **报告:** 详细报告, 关注细节, 例如实体、产品、部门、地区等各个部分。
- **活动界定:** 领域界定不太明确, 更多地使用经济学、决策科学和行为科学。
- **定义:** 是达到目的的手段。

财务会计 (Financial Accounting) :

- **主要用户:** 外部用户, 如投资者和政府机构。
- **选择自由度:** 受一般公认会计原则 (GAAP) 的约束。
- **行为影响:** 关注如何测量和传达经济现象, 行为考虑是次要的, 尽管基于报告结果的执行薪酬可能会产生行为影响。
- **时间焦点:** 过去导向, 历史评估, 例如比较2023年实际表现与2022年实际表现。
- **时间跨度:** 不太灵活, 通常是1年或1季度。
- **报告:** 概要报告, 主要关心整体业务。
- **活动界定:** 领域界定更明确, 较少使用相关学科。
- **定义:** 是自身的目的。

Financial Management

Financial Management is concerned with the ways in which funds for a business are raised and used. 财务管理涉及企业筹集和使用资金的方式。

Finance is “the acquisition and subsequent management of funds to support the achievement of business objectives” (CIMA 1996).

财务是“支持实现业务目标的资金获取和后续管理” (CIMA 1996)。

If funds are being raised for a new venture, is a loan, overdraft, partnership, or share issue the most appropriate form of finance?

如果为新企业筹集资金, 贷款、透支、合伙或股票发行是最合适的融资形式吗?

Where several projects or business opportunities are competing for finance, which one should be undertaken?

当多个项目或商业机会争夺融资时, 应该选择哪一个?

Financial management seeks to optimise the risk and return combinations from projects to enhance the value of the organisation.

财务管理旨在优化项目的风险和回报组合，以提高组织的价值。